CARD-MRI Development Institute, Inc.
(A Nonstock, Not-for-Profit Association)

Financial Statements
December 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

COVER SHEET

C	N	2	0	0	5	0	6	4	6	2	

SEC Registration Number

CARD-MRI DEVELOPMENT INSTITUTE, INC. (A Nonstock, Not-for-Profit Association)

(Company's Full Name)

Brgy. Tranca, Bay, Laguna

(Business Address: No. Street City/Town/Province)

Edzel A. Ramos
(Contact Person)

(049) 573-0031
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Fiscal Year)

A A F S
(Form Type)

0 1 **2 1**
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

SEC
Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

Not Applicable
Total No. of Stockholders

Not Applicable
Domestic

Not Applicable
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SGVFS000127

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash in banks (Notes 4 and 11)	**₱23,957,686**	₱24,629,216
Current portion of receivables (Note 5)	**5,725,989**	10,759,873
Other current assets (Note 11)	**481,488**	3,493,026
Total Current Assets	**30,165,163**	38,882,115
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	**46,904**	129,454
Property and equipment (Note 6)	**44,427,057**	33,274,815
Equity investment at cost (Note 11)	**4,373,900**	500,000
Total Noncurrent Assets	**48,847,861**	33,904,269
	₱79,013,024	₱72,786,384
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and accrued expenses (Note 7)	**₱4,406,745**	₱9,521,831
Noncurrent Liability		
Net retirement liability (Note 10)	**2,403,296**	7,428,204
	6,810,041	16,950,035
Fund Balance		
General fund	**5,000,000**	5,000,000
Accumulated excess of revenue over expenses	**67,202,983**	50,836,349
	72,202,983	55,836,349
	₱79,013,024	₱72,786,384

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF REVENUES AND EXPENSES, AND CHANGES IN FUND BALANCE

	Years Ended December 31	
	2012	2011
REVENUE		
Seminars and trainings (Note 11)	**₱37,193,709**	₱36,038,818
Donations and contributions (Note 11)	**9,018,000**	16,744,714
Interest income (Notes 4 and 11)	**652,112**	622,819
Facilities fee (Note 11)	**407,291**	923,478
Other income	**1,076,085**	1,547,040
	48,347,197	55,876,869
EXPENSES		
Cost of seminars, trainings and other programs (Note 8)	**22,756,273**	35,663,149
Administrative:		
Compensation and employee benefits (Notes 10 and 11)	**1,568,162**	4,714,715
Depreciation (Note 6)	**1,341,534**	1,064,432
Management and professional fees	**1,309,911**	345,533
Representation	**1,023,510**	1,166,680
Transportation and travel	**939,031**	1,426,588
Program monitoring and meetings	**858,705**	1,148,975
Insurance	**569,173**	370,095
Utilities	**348,800**	333,772
Provision for doubtful accounts (Note 5)	**292,685**	480,440
Taxes and licenses	**204,858**	176,284
Supplies and materials	**199,978**	268,938
Repairs and maintenance	**183,079**	532,341
Communication and postage	**141,635**	166,767
Janitorial, messengerial, and security	**105,084**	324,023
Miscellaneous	**138,145**	149,456
	9,224,290	12,669,039
	31,980,563	48,332,188
EXCESS OF REVENUE OVER EXPENSES	**16,366,634**	7,544,681
FUND BALANCE AT BEGINNING OF YEAR	**55,836,349**	48,291,668
FUND BALANCE AT END OF YEAR	**₱72,202,983**	₱55,836,349

See accompanying Notes to Financial Statements.

SGVFS000127

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱16,366,634**	₱7,544,681
Adjustments for:		
Depreciation (Note 6)	**5,144,894**	4,720,582
Retirement expense (Note 11)	**782,306**	7,200,000
Interest income	**(652,112)**	(622,819)
Provision for doubtful accounts (Note 5)	**292,685**	480,440
Unrealized foreign exchange gain from cash in bank	**(2,431)**	(16,035)
Gain on sale of property and equipment	**–**	(215,110)
Operating income before working capital changes	**21,931,976**	19,091,739
Changes in operating assets and liabilities:		
Decrease (increase) in amount of:		
Receivables (Note 5)	**4,835,204**	(9,787,992)
Other current assets	**1,511,538**	(3,343,350)
Increase (decrease) in amount of accounts payable and accrued expenses	**(5,115,086)**	5,900,280
Net cash generated from operations	**23,163,632**	11,860,677
Contributions to retirement fund (Note 10)	**(5,807,214)**	(755,096)
Interest received	**640,657**	611,989
Net cash flows from operating activities	**17,997,075**	11,717,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 6)	**(16,297,136)**	(12,294,879)
Proceeds from sale of property and equipment (Note 6)	**–**	215,110
Acquisition of equity investment at cost	**(2,373,900)**	
Net cash used in investing activities	**(18,671,036)**	(12,079,769)
NET DECREASE IN CASH IN BANKS	**(673,961)**	(362,199)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH IN BANK	**2,431**	16,035
CASH IN BANKS AT BEGINNING OF YEAR	**24,629,216**	24,975,380
CASH IN BANKS AT END OF YEAR (Note 4)	**₱23,957,686**	₱24,629,216

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

CARD-MRI Development Institute, Inc., (the Association) is a nonstock, not-for-profit association incorporated in the Philippines on April 21, 2005. The Association was organized to provide courses of study in microfinance development (non-degree technical courses) or other similar courses subject to the laws of the Philippines.

Being a nonstock and nonprofit educational institution, the Association falls under Section 30 (h) of the Tax Reform Act of 1997 and as such, income from activities in pursuit of the purpose for which the Association was organized is exempt from income tax. The Association renewed its Philippine Council for NGO Certification (PCNC) accreditation on June 6, 2012 and had been granted a five-year certification for donee institution status.

The Association is a member of Center for Agriculture and Rural Development (CARD) Mutually Reinforcing Institutions (MRI).

The Association's principal office is located in Brgy. Tranca, Bay, Laguna.

2. Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso, the Association's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The Association's financial statements have been prepared in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Significant Accounting Policies

<u>Cash in Banks</u>
Cash in banks represent current, savings and time deposits in banks that earn interest at the respective bank deposit rates.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
Date of recognition
A financial asset or a financial liability is recognized only when the Association becomes a party to the contractual provisions of the instrument.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially measured at fair value, which is normally the transaction price. Except for financial assets and liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Association classifies its financial assets in the following categories: financial assets at FVPL, financial assets that are debt instruments at amortized cost, financial assets that are equity instruments at cost less impairment, and loan commitments at cost less impairment. Financial liabilities are classified into the following categories: financial liabilities at FVPL and financial liabilities measured at amortized cost.

Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2012 and 2011, the Association has no loan commitments at cost less impairment and financial liabilities at FVPL.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Financial assets at FVPL
This category includes convertible debt instrument.

After initial measurement, these financial assets are subsequently measured at fair value. Changes in fair value are recognized in the statement of revenue and expenses and changes in fund balance. Interest earned on holding financial assets at FVPL is included in 'Administrative fees' in the statement of revenue and expenses and changes in fund balance.

Financial assets that are debt instruments at amortized cost
This category includes receivables.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization on receivables is included in 'Administrative fees' in the statement of revenue and expenses and changes in fund balance. The losses arising from impairment are recognized in 'Provision for impairment and credit losses'.

Financial assets that are equity instruments at cost less impairment
This category includes equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably.

After initial measurement, these financial assets are subsequently measured at cost less any allowance for impairment losses.

Financial liabilities at amortized cost
This category includes accounts payable which are not designated at FVPL and where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset is derecognized only when:
3. the contractual rights to the cash flows from the financial asset have expired or are settled; or
4. the Association transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
5. the Association, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Association derecognizes the asset, and recognizes separately any rights and obligations retained or created in the transfer.

If a transfer does not result in derecognition because the Association has retained significant risks and rewards of ownership of the transferred asset, the Association continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the Association recognizes any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized only when it is extinguished (i.e., when the obligation specified in the contract is discharged, is cancelled or expires). When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of revenue and expenses and changes in fund balance.

Impairment of Financial Assets
The Association assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows.

For instruments measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For instruments measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Association would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the Association reverses the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Association recognizes the amount of the reversal in the statement of revenue and expenses and changes in fund balance immediately.

Property and Equipment

Depreciable property and equipment, which includes land improvements, training facilities, office furniture, fixtures and equipment, transportation equipment, and leasehold improvements, is carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including taxes and directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against current operations in the year in which such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. For property and equipment being constructed by an external contractor, costs are capitalized based on the percentage of completion of the project.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Training facilities	3 to 10 years
Office furniture, fixtures and equipment and transportation equipment	3 to 5 years
Land improvements	3 years
Leasehold improvements	3 years or term of the lease whichever is shorter

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the asset.

Impairment of Property and Equipment

An assessment is made at each reporting date to determine whether there is any indication of impairment of any long-lived assets or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less cost to sell.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against current operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Accounts Payable and Accrued Expense
Accounts payable and accrued expenses are basic financial liabilities which are measured initially at the transaction price and carried at amortized cost.

Fund Balance
Fund balance consists of the amounts contributed by the members of the Association and all current and prior period results of operations.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Association and that the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognized:

Seminar and training fees
Seminar and training fees are recognized when seminars and trainings have been conducted and completed. Tuition fees included in this amount are recognized over the service period.

Donations and contributions
Donations and contributions are recognized when there is actual transfer of assets from the donor in case of unconditional grants, or when conditions are met in case of conditional grants.

Interest income
Interest income from cash in banks is recognized on a time proportion basis as it accrues using the effective interest method.

Facilities fee
Facilities fee is recognized based on the terms of agreement.

Other income
Income from other sources is recognized when earned.

Cost and Expense Recognition
Cost and expenses are recognized when incurred.

Foreign Currency Transactions
Foreign currency-denominated monetary assets and liabilities are translated into Philippine pesos based on the Philippine Dealing System (PDS) closing rate prevailing at the end of the year and foreign currency-denominated income and expenses at the PDS weighted average rate prevailing on transaction date. Foreign exchange gains or losses from foreign currency translations and revaluation of foreign currency-denominated monetary assets and liabilities are credited to or charged against current operations.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognized as expense on a straight-line basis for noncancellable leases and based on the terms of the lease for cancellable leases unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis, or the payments to the lessor are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Retirement Benefits
The Association is covered by a funded noncontributory defined benefit retirement plan.

The Association's retirement cost is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability recognized in the statement of assets, liabilities and fund balance, in respect of defined benefit pension plans, is the present value of the defined benefit obligation less the fair value of plan assets at the reporting date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses are immediately charged against or credited to current operations.

Provisions
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Association's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

3. **Significant Accounting Judgments and Estimates**

Judgment
Management makes judgments in the process of applying the Association's accounting policies. Judgments that have a significant effect on the reported amounts in the financial statements are discussed below.

a. *Operating leases*
The Association has entered into commercial property leases wherein it has determined that all the significant risks and rewards of ownership of these properties are retained by the lessor. In determining whether or not there is indication of operating lease treatment, the Association considers retention of ownership title to the leased property, period of lease contract relative to the estimated useful economic life of the leased property and bearer of executory costs, among others.

b. *Foreign Currency Translation*
The Association conducts transactions in foreign currency. The Association maintains one US Dollar Bank account for international clients paying in US dollar. In accounting for dollar denominated transactions, the Association does not recognize realized gain/loss from settlement of receivables. Net income or loss is reflected through the translation of cash in bank - dollar account at yearend.

c. *Contingencies*
The amount of probable costs for the resolution of possible claims has been developed in consultation with CARD MRI in-house legal counsel handling the Association's defense and is based upon the analysis of potential results. No provisions for contingencies were provided as at December 31, 2012 and 2011.

d. *Going concern*
The Association's management has made an assessment of the Association's ability to continue as a going concern and is satisfied that the Association has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Association's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates
The key sources of estimation uncertainty at the reporting date that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

a. *Impairment of trade receivables*
The Association assesses its receivables for impairment at each reporting date. In determining whether a credit loss should be recorded in the statement of revenues and expenses, and changes in fund balance, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of its debtors.

As at December 31, 2012 and 2011, the carrying amount of receivables amounted to ₱5.7 million and ₱10.9 million, respectively. As at December 31, 2012 and 2011, allowance for doubtful accounts amounted to ₱1.0 million and ₱0.8 million, respectively (Note 5).

b. *Impairment of property and equipment*
The Association assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Association recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use or its fair value less costs to sell. Recoverable amounts are estimated for individual assets.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Association is required to make estimates and assumptions that can materially affect the financial statements. No impairment loss was recognized in 2012 and 2011. As at December 31, 2012 and 2011, the carrying value of property and equipment amounted to ₱44.4 million and ₱33.3 million, respectively (Note 6).

c. *Impairment of equity investment at cost*
The Association treats equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As at December 31, 2012 and 2011, the Association has an equity investment at cost amounted to ₱4.4 million and ₱0.5 million, respectively. There is no allowance for impairment losses on equity investments as at December 31, 2012 and 2011.

d. *Estimated useful lives of property and equipment*
The Association estimates the useful lives of its property and equipment. This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment. The accounting policy for the estimated useful lives of property and equipment are disclosed in Note 2 to the financial statements.

e. *Present value of retirement obligation*
The cost of defined benefit pension plan and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets was based on the market prices prevailing on that date applicable to the period over which obligation is to be settled. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the reporting dates.

The present value of the defined benefit obligation amounted to ₱12.3 million and ₱11.7 million as at December 31, 2012 and 2011, respectively (Note 10).

4. Cash in Banks

This account consists of:

	2012	2011
Time deposits	**₱17,347,087**	₱12,825,741
Savings deposits	**2,064,261**	4,928,339
Demand deposits	**4,546,338**	6,875,136
	₱23,957,686	₱24,629,216

Demand and savings deposits earn interest at the respective bank deposit rates.

Time deposits earn annual interest rates ranging between 3.50% to 4.50% in 2012 and 2011 with maturities of less than three months.

5. Receivables

This account consists of:

	2012	2011
Receivable from related parties (Note 11)	**₱5,649,387**	₱8,253,356
Receivable from trainees and participants	**971,705**	3,202,887
Notes receivable from related party (Note 11)	**136,162**	205,615
Interest receivable	**53,845**	42,390
	6,811,099	11,704,248
Less allowance for doubtful accounts	**1,038,206**	814,921
Total receivables	**5,772,893**	10,889,327
Less noncurrent portion	**46,904**	129,454
Current portion	**₱5,725,989**	₱10,759,873

Changes in the allowance for doubtful accounts are as follows:

	2012	2011
Balance at beginning of year	**₱814,921**	₱334,481
Provision during the year	**292,685**	480,440
Written off accounts	**(69,400)**	–
Balance at end of year	**₱1,038,206**	₱814,921

6. Property and Equipment

The composition of and movements in this account follow:

	2012							
	Land	Land Improvement	Training Facilities	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Construction in Progress	Total
Cost								
Balance at beginning of year	**₱6,501,607**	**₱356,368**	**₱23,500,892**	**₱6,664,670**	**₱2,229,000**	**₱896,828**	**₱7,135,584**	**₱47,284,949**
Additions/transfers	**456,981**	**164,340**	**1,457,322**	**1,997,334**	**2,038,722**	**–**	**10,182,437**	**16,297,136**
Disposal/transfer	**–**	**–**	**16,406,540**	**(1,405,534)**	**–**	**–**	**(16,406,540)**	**(1,405,534)**
Balance at end of year	**6,958,588**	**520,708**	**41,364,754**	**7,256,470**	**4,267,722**	**896,828**	**911,481**	**62,176,551**
Accumulated depreciation								
Balance at beginning of year	**–**	**341,179**	**6,195,000**	**5,481,937**	**1,643,251**	**348,767**	**–**	**14,010,134**
Depreciation	**–**	**37,865**	**2,879,742**	**1,089,933**	**838,412**	**298,942**	**–**	**5,144,894**
Disposal	**–**	**–**	**–**	**(1,405,534)**	**–**	**–**	**–**	**(1,405,534)**
Balance at end of year	**–**	**379,044**	**9,074,742**	**5,166,336**	**2,481,663**	**647,709**	**–**	**17,749,494**
Net book value	**₱6,958,588**	**₱141,664**	**₱32,290,012**	**₱2,090,134**	**₱1,786,059**	**₱249,119**	**₱911,481**	**₱44,427,057**

	2011							
	Land	Land Improvement	Training Facilities	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Construction in Progress	Total
Cost								
Balance at beginning of year	₱2,039,655	₱356,368	₱23,297,349	₱6,773,265	₱3,585,340	₱937,208	₱–	₱36,989,185
Additions	4,461,952	–	203,543	473,800	–	20,000	7,135,584	12,294,879
Disposal/transfers	–	–	–	(582,395)	(1,356,340)	(60,380)	–	(1,999,115)
Balance at end of year	6,501,607	356,368	23,500,892	6,664,670	2,229,000	896,828	7,135,584	47,284,949
Accumulated depreciation								
Balance at beginning of year	–	264,759	3,662,281	4,342,202	2,439,880	53,735	–	10,762,857
Depreciation	–	76,420	2,532,719	1,331,573	470,822	309,048	–	4,720,582
Disposal/transfers	–	–	–	(191,838)	(1,267,451)	(14,016)	–	(1,473,305)
Balance at end of year	–	341,179	6,195,000	5,481,937	1,643,251	348,767	–	14,010,134
Net book value	₱6,501,607	₱15,189	₱17,305,892	₱1,182,733	₱585,749	₱548,061	₱7,135,584	₱33,274,815

The breakdown of depreciation expense on property and equipment in 2012 and 2011 follows:

	2012	2011
Cost of seminars, trainings, and other programs (Note 8)	**₱3,803,360**	₱3,656,150
Administrative	**1,341,534**	1,064,432
	₱5,144,894	₱4,720,582

As at December 31, 2012 and 2011, the total cost of fully-depreciated assets still in use amounted to ₱6.9 million and ₱4.0 million, respectively.

7. Accounts Payable and Accrued Expenses

This account consists of:

	2012	2011
Accrued expenses	**₱2,144,743**	2,911,036
Accounts payable	**1,442,002**	4,865,440
Funds held in-trust	**8,000**	1,673,670
Unearned tuition fee	**812,000**	71,685
	₱4,406,745	₱9,521,831

Accrued expenses include accrual for vacation leave credits, bonuses, professional fees, information technology fee and other expenses.

Funds held in-trust by the Association represent grants that are allotted for a specific purpose which will be returned to the grantor if such purpose is not complied with.

8. Cost of Seminars, Trainings and Other Programs

This account consists of:

	2012	2011
Compensation and employee benefits (Notes 10 and 11)	**₱6,296,749**	₱12,523,034
Meals of trainees	**4,989,833**	6,025,712
Depreciation (Note 6)	**3,803,360**	3,656,150
Transportation and travel	**1,839,426**	2,014,758
Utilities	**1,358,398**	1,189,245
Janitorial, messengerial and security	**1,057,411**	886,811
Repairs and maintenance	**659,547**	1,004,237
Supplies and materials	**639,165**	2,442,432
Room accommodation and function hall	**409,543**	541,845
Information Technology	**356,496**	1,917,729
Representation expense	**314,203**	320,491
Management and professional fees	**168,858**	1,698,185
Program monitoring and meetings	**–**	202,662
Staff training and development	**–**	137,420
Miscellaneous	**863,284**	1,102,438
	₱22,756,273	₱35,663,149

Miscellaneous include laundry and ironing, guest room supplies, office rental and other program related cost.

9. Lease Contracts - Lessee

The Association leases the premises occupied by its branches. The two lease contracts still outstanding as at December 31, 2012, are for periods of one year and are renewable upon mutual agreement between the Association and the lessors.

Future aggregate minimum lease payments under non-cancellable operating leases due within one year from December 31, 2012 amounts to ₱0.1 million.

10. **Retirement Benefits**

The Association, CARD Bank, Inc., CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation (BDSF), Inc., CARD MRI Information Technology, Inc. (CMIT), BotiCARD, Inc., and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (the Plan) - covering all of their regular employees. The Plan has a projected unit cost format and is financed solely by the Association and its related parties. The Plan complies with the requirement of Republic Act No. 7641 (Retirement Law). The Plan provided lump sum benefits equivalent to at least one half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least ten years of service with the participating companies. However, starting 2011, the Plan provides lump sum benefits equivalent to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least one year of service with the participating companies.

The principal actuarial assumptions used in determining retirement liability for the Association's retirement plan as at January 1, 2012 and 2011 are shown below:

	2012	2011
Discount rate	**7.0%**	9.5%
Expected rate of return plan on assets	**5.0**	5.0
Future salary increases	**12.0**	12.0

As at December 31, 2012, the discount rate used in determining present value of obligation is 6.2%.

The amounts recognized in the statement of assets, liabilities and fund balance follow:

	2012	2011
Present value of pension obligation	**₱12,257,900**	₱11,682,700
Fair value of plan assets	**(9,854,604)**	(4,254,496)
Net retirement liability	**₱2,403,296**	₱7,428,204

The amounts included in 'Compensation and employee benefits' account in the statements of revenue and expenses, and changes in fund balance follow:

	2012	2011
Current service cost	**₱1,618,552**	₱634,200
Net actuarial loss (gain) recognized during the year	**(1,445,983)**	5,367,600
Interest cost	**822,462**	378,300
Expected return on plan assets	**(212,725)**	(149,300)
Past service cost	**–**	969,200
	₱782,306	₱7,200,000

The movements in the net retirement liability follow:

	2012	2011
Balance at beginning of year	**₱7,428,204**	₱983,300
Contributions paid	**(5,807,214)**	(755,096)
Retirement expense	**782,306**	7,200,000
Balance at end of year	**₱2,403,296**	₱7,428,204

The movements in the fair value of plan assets follow:

	2012	2011
Balance at beginning of year	**₱4,254,496**	₱2,986,100
Contributions paid	**5,807,214**	755,096
Actuarial (loss) gain	**(419,831)**	43,000
Expected return on plan assets	**212,725**	149,300
Transfer from plan assets of other MRI entity	**–**	321,000
Balance at end of year	**₱9,854,604**	₱4,254,496

The actual return on plan assets amounted to (₱0.2) million and ₱0.2 million in 2012 and 2011, respectively.

The Association plans to contribute ₱5.6 million in 2013 to its retirement plan.

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2012	2011
Government securities	**39.7%**	29.8%
Time deposits and special savings accounts	**60.3**	70.2
	100.0%	100.0%

The movements in the present value of pension obligation follow:

	2012	2011
Balance at beginning of year	**₱11,682,700**	₱3,969,400
Actuarial loss (gain)	**(1,865,814)**	5,410,600
Current service cost	**1,618,552**	634,200
Interest cost	**822,462**	378,300
Past service cost	**–**	969,200
Transfer from plan assets of other MRI entity	**–**	321,000
Balance at end of year	**₱12,257,900**	₱11,682,700

11. **Related Party Transactions**

In the ordinary course of business, the Association transacts with related parties. Related parties include trustees, members, officers, employees and entities (affiliates) where trustees, members and officers hold key management positions. Transactions with these related parties include normal banking transactions, interest and non-interest bearing advances or loans, accounts receivable and accounts payable. These transactions are made substantially on the same terms as other individuals and business of comparable risks.

Transactions with retirement plans
Under PFRS for SMEs, certain post-employment benefit plans are considered as related parties. CARD MRI's Multi-Employer Retirement Plan (MERP) is managed by the CARD Employee Multipurpose Cooperative (EMPC). Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks (Note 10).

Remunerations of Trustees and other Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Association, directly or indirectly. The Association considers the members of the board of trustees and senior management to constitute key management personnel for purposes of Section 33 of PFRS for SMEs.

The compensation of key management personnel included under 'Compensation and employee benefits' in the statement of revenues and expenses and changes in fund balance are as follows:

	2012	2011
Short-term employee benefits	**₱812,809**	₱820,671
Post employment benefits	**141,537**	874,703
	₱954,346	₱1,695,374

Other related party transactions
Transactions between the Association and its key management personnel meet the definition of related party transactions. Transactions between the Association and its affiliates within the CARD MRI, also qualify as related party transactions.

Cash, accounts payable and accounts receivable

Cash, accounts payable and accounts receivable held by the Association for key management personnel and affiliates as at December 31, 2012 and 2011 follow:

	December 31, 2012		
Category	**Amount / Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
CARD Bank			
Cash in banks		**₱10,480,282**	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.50%
Deposits	**₱142,439,816**		
Withdrawals	**(143,261,326)**		
Accounts payable		**–**	Share of expenses
Billings	**40,135**		
Payments	**(44,338)**		
Accounts receivable		**1,673,083**	Training fees, seminars and meetings, and share of expenses
Billings	**16,234,366**		
Collections	**(15,096,369)**		
CARD Inc.			
Accounts payable		**17,652**	Share of expenses
Billings	**1,207,265**		
Payments	**(1,286,098)**		
Accounts receivable		**3,216,461**	Training fees, seminars and meetings, and share of expenses
Billings	**21,453,355**		
Collections	**(18,911,517)**		
BDSFI			
Accounts payable		**–**	Share of expenses
Billings	**97,686**		
Payments	**(148,719)**		
Accounts receivable		**25,122**	Training fees, seminars and meetings, and share of expenses
Billings	**501,619**		
Collections	**(489,347)**		
CARD MBA			
Accounts payable		**–**	Share of expenses
Billings	**3,915,287**		
Payments	**(7,830,324)**		
Accounts receivable		**637,507**	Training fees, seminars and meetings, and share of expenses
Billings	**8,685,685**		
Collections	**(11,663,345)**		
CARD SME			
Cash in banks		**8,884,686**	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.50%
Deposits	**13,556,000**		
Withdrawals	**(8,994,866)**		
Accounts payable		**–**	Share of expenses
Billings	**3,250**		
Payments	**(3,250)**		
Accounts receivable		**1,275**	Training fees, seminars and meetings, and share of expenses
Billings	**3,075,402**		
Collections	**(3,246,219)**		
CARD EMPC			
Accounts payable		**–**	Share of expenses
Billings	**9,000**		
Payments	**(9,000)**		
Accounts receivable		**376**	Training fees, seminars and meetings, and share of expenses
Billings	**26,174**		
Collections	**(25,798)**		
CAMIA			
Accounts payable		**363,112**	Share of expenses
Billings	**363,112**		
Payments	**–**		
Accounts receivable		**413**	Training fees, seminars and meetings, and share of expenses
Billings	**166,352**		
Collections	**(168,375)**		
CMIT			
Accounts payable		**–**	Share of expenses
Billings	**1,100**		
Payments	**(1,100)**		

(Forward)

	December 31, 2012		
Accounts receivable		**₱–**	Training fees, seminars and meetings, and share of expenses
Billings	**₱3,765,708**		
Collections	**(6,873,108)**		
BotiCARD			
Accounts payable		**–**	Share of expenses
Billings	**1,373**		
Payments	**(3,258)**		
Accounts receivable		**11,510**	Training fees, seminars and meetings, and share of expenses
Billings	**245,668**		
Collections	**(234,158)**		

	December 31, 2011		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
CARD Bank			
Cash in banks		₱11,301,792	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.50%
Deposits	₱102,217,844		
Withdrawals	(90,916,052)		
Accounts payable		4,203	Share of expenses
Billings	12,519		
Payments	(8,516)		
Accounts receivable		535,086	Training fees, seminars and meetings, and share of expenses
Billings	15,319,970		
Collections	(14,784,884)		
CARD Inc.			
Accounts payable		96,485	Share of expenses
Billings	83,875		
Payments	(12,610)		
Accounts receivable		674,623	Training fees, seminars and meetings, and share of expenses
Billings	24,040,048		
Collections	(23,474,356)		
BDSFI			
Accounts payable		51,033	Share of expenses
Billings	59,103		
Payments	(8,071)		
Accounts receivable		12,850	Training fees, seminars and meetings, and share of expenses
Billings	164,948		
Collections	(152,632)		
CARD MBA			
Accounts payable		3,915,037	Grants and Share of expenses
Billings	3,915,037		
Payments	–		
Accounts receivable		3,615,167	Training fees, seminars and meetings, and share of expenses
Billings	6,080,017		
Collections	(2,464,850)		
CARD SME			
Cash in banks		4,323,552	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.50%
Deposits	6,426,552		
Withdrawals	(2,103,000)		
Accounts receivable		172,092	Training fees, seminars and meetings, and share of expenses
Billings	2,491,161		
Collections	(2,319,271)		
CAMIA			
Accounts receivable		2,436	Training fees, seminars and meetings, and share of expenses
Billings	113,723		
Collections	(111,287)		
CMIT			
Accounts receivable		3,107,400	Training fees, seminars and meetings, and share of expenses
Billings	3,394,842		
Collections	(287,442)		
BotiCARD			
Accounts payable		1,885	Share of expenses
Billings	4,548		
Payments	(2,663)		
Accounts receivable		–	Training fees, seminars and meetings, and share of expenses
Billings	1,528,189		
Collections	(1,528,189)		

Others

Other related party transactions of the Association are as follows:

	2012	2011	**Nature, Terms and Conditions**
Statement of Assets, Liabilities and Fund Balance			
CMIT			
Equity Investment at cost	**₱4,373,900**	₱500,000	Association's investment in equity shares with 4.37% ownership

Statement of Revenue and Expenses and Changes in Fund Balance	**2012**	2011	**Nature, Terms and Conditions**
CARD Bank			
Seminars and trainings	**₱9,461,005**	₱10,037,035	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**46,715**	144,842	Income derived from the use of facilities to CARD MRI group and external parties for various events
Interest income	**279,463**	413,484	These are interest earned by savings and time deposit accounts of the Association
CARD, Inc.			
Donations and contributions	**5,000,000**	5,000,000	Grants from CARD Inc. for the Association's construction of administration building and training center in Tagum, Davao.
Seminars and trainings	**15,673,011**	15,477,555	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**121,223**	106,915	Income derived from the use of facilities to CARD MRI group and external parties for various events
Rent expense	**180,000**	180,000	The Organization leases premises occupied by its branches. Rent expense is recorded under 'Miscellaneous' (Note 8)
CARD MBA			
Seminars and trainings	**3,712,076**	1,704,746	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**21,170**	84,277	Income derived from the use of facilities to CARD MRI group and external parties for various events
Donations and contributions	**–**	6,470,013	Grants from CARD MBA for the Association's construction of administration building and training center in Tagum, Davao
CARD SME Bank			
Seminars and trainings	**2,025,837**	1,882,575	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**8,820**	126,915	Income derived from the use of facilities to CARD MRI group and external parties for various events
Interest income	**300,744**	183,587	These are interest earned by savings and time deposit accounts of the Association
CARD BDSFI			
Seminars and trainings	**247,707**	78,458	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**1,020**	6,605	Income derived from the use of facilities to CARD MRI group and external parties for various events
CAMIA			
Seminars and trainings	**104,472**	86,912	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**8,250**	1,800	Income derived from the use of facilities to CARD MRI group and external parties for various events

(Forward)

Statement of Revenue and Expenses and Changes in Fund Balance	2012	2011	Nature, Terms and Conditions
CMIT			
Seminars and trainings	**₱1,523,189**	₱3,752,988	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**5,645**	6,820	Income derived from the use of facilities to CARD MRI group and external parties for various events
BotiCARD			
Seminars and trainings	**181,835**	50,826	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**480**	5,122	Income derived from the use of facilities to CARD MRI group and external parties for various events
CARD EMPC			
Seminars and trainings	**12,955**	–	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates

The association has prepaid subscription amounting to ₱3.8 million with CMIT common stocks. On June 6, 2012, SEC approved the increase in capital stock application of CMIT, thus, such was reclassified to equity investment at cost.

12. Approval for the Release of Financial Statements

The accompanying financial statements of the Association were authorized for issue by the BOT on March 16, 2013.

13. Supplementary Information under Revenue Regulations (RR) No. 19-2011

In addition to the required supplementary information under RR No. 15-2010, on December 9, 2011, the BIR issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011. Specifically, companies are required to disclose certain tax information in their respective notes to financial statements.

Being a nonstock and not-for-profit educational institution, the Association falls under Section 30 (h) of the Tax Reform Act of 1997 and as such, income from activities in pursuit of the purpose for which the Association was organized is exempt from income tax.

Accordingly, the schedule of taxable sales/receipts/fees, related cost of sales/services, and non-operating and taxable other income are not applicable to the Association.

The Association has the following exempt itemized deductions for the year ended December 31, 2012:

Salaries and allowances	**₱1,568,162**
Depreciation	**1,341,534**
Management and professional fees	**1,309,911**
Representation	**1,023,510**
Transportation and travel	**939,031**
Cost of program monitoring/meeting	**858,705**
Insurance	**569,173**
Utilities	**348,800**
Provision for doubtful accounts	**292,685**
Taxes and licenses	**204,858**
Supplies and materials	**199,978**
Repairs and maintenance	**183,079**
Communication and postage	**141,635**
Janitorial, messengerial and security	**105,084**
Miscellaneous	**138,145**
Total	**₱9,224,290**

14. **Supplementary Information under RR 15-2010**

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and licenses paid or accrued during the taxable year.

The Association reported and/or paid the following types of taxes in 2012:

Taxes and Licenses

Taxes and licenses in 2012 lodged under 'Other expenses-Miscellaneous expenses' under cost of seminars, trainings and other programs in the statement of revenues and expenses, and changes in fund balance consist of:

Business permits and licenses	**₱74,964**
Real property tax	**125,014**
Community tax certificate	**3,900**
Documentary stamp tax	**980**
	₱204,858

Withholding Taxes

The following withholding taxes are categorized into:

Withholding tax on compensation	
Paid during the year	**₱332,909**
Accrued at end of year	**66,239**
Expanded withholding tax	
Paid during the year	**207,258**
Accrued at end of year	**11,945**
	₱618,351

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE**

The Board of Trustees
CARD-MRI Development Institute, Inc.
(A Nonstock, Not-for-Profit Association)
Brgy. Tranca, Bay, Laguna

We have audited in accordance with Philippine Standards on Auditing, the financial statements of CARD-MRI Development Institute, Inc. (A Nonstock, Not-for-Profit Association) as at and for the years ended December 31, 2012 and 2011 and have issued our report thereon dated March 16, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of receipts and disbursements is the responsibility of the Association's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-AR-1 (Group A),
March 1, 2012, valid until March 1, 2015
Tax Identification No. 210-474-781
BIR Accreditation No. 08-001998-64-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669688, January 2, 2013, Makati City

March 16, 2013

SGVFS000127

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

SUPPLEMENTARY SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

RECEIPTS

Seminars, trainings, facilities and other fees	₱42,436,204
Grants and donations	9,018,000
Interest from banks	640,657
Others	1,076,085
	₱53,170,946

DISBURSEMENTS

Acquisition of other property and equipment	₱16,297,136
Program expenses	23,277,693
Administrative expenses	6,078,533
Contribution to the retirement fund	5,807,214
Acquisition of equity investment at cost	2,373,900
Funds held in trust	8,000
	₱53,842,476